Basics of Economics MCQ Question Answer

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Question: 1. In finding equilibrium position of a profitmaximizing firm, which technique is most convenient?

Option A. Total revenue and total cost technique
Option B. Marginal revenue and marginal cost technique
Option C. Demand and supply technique
Option D. None of the above

Question: 2. The concept of period refers to:

Option A. A specific duration of time
Option B. A varying duration of time
Option C. A duration of time which permits necessary adjustments
Option D. A period with calculated intervals

Question: 3. The production process is:

Option A. Consuming goods and services
Option B. Transforming inputs into outputs
Option C. Wasting goods and services
Option D. Buying goods and services

Question: 4. To calculate the elasticity of demand, which of the following formula is used?:

Option A. Percentage change in demand Original demand
Option B. Proportionate change in demand Proportionate change in price
Option C. Change in demand Change in price
Option D. None of the above

Question: 5. Extension (expansion) of demand means:

Option A. More quantity demanded at a lower price
Option B. More quantity demanded at a higher price
Option C. More quantity demanded at the same price
Option D. None of the above

Question: 6. The kink demand curve faced by an oligopolist is based on the assumption that:

Option A. Competitors will follow a price increase but not a price cut
Option B. Competitors will follow a price increase as well as a price cut
Option C. Competitors will ignore both a price increase and a price cut
Option D. Competitors will ignore a price increase but will follow a price cut

Question: 7. Time Preference Theory of Interest was presented by:

Option A. Adam Smith
Option B. Carl Menger
Option C. Ruskin
Option D. J.B.Say

Question: 8. Whenever a group of monopolistic competitors attains equilibrium, the firms in this group usually:

Option A. Charge different prices, but produce identical outputs
Option B. Produce different outputs, but charge identical prices
Option C. Charge different prices, and produce different outputs
Option D. None of the above

Question: 9. The number of sellers in oligopoly is:

Option A. Two
Option B. One
Option C. Very large
Option D. A few

Question: 10. If under perfect competition, in the short period, price does not cover the average cost completely, the firm will even then stay in the market as long as:

Option A. The average fixed cost is covered
Option B. The average variable cost is covered
Option C. Some profit is earned
Option D. The entrepreneurs enjoy producing

Question: 11. Revealed Preference Theory was presented by:

Option A. Ricardo
Option B. Adam Smith
Option C. Pigou
Option D. Samuelson

Question: 12. If the price of Pepsi Cola goes down, you would predict:

Option A. An increase in supply of coca cola
Option B. A decrease in supply of coca cola
Option C. An increase in demand for coca cola
Option D. A decrease in demand for coca cola

Question: 13. The concept of industry in monopolistic competition has been replaced by:

Option A. Firm
Option B. Product group
Option C. Producers
Option D. Shopkeepers

Question: 14. All the firms with identical costs under perfect competition well, in the long-run, earn only:

Option A. Normal profits
Option B. Abnormal profits
Option C. Differential profits
Option D. No profits

Question: 15. Elasticity (E) expressed by the term, 8 >E>1, is:

Option A. Perfectly elastic (infinitely elastic)
Option B. Relatively elastic (greater than one elasticity)
Option C. Unitary elastic
Option D. Relatively inelasticity (less than one elasticity)

Question: 16. In centralized cartel, the firms are like:

Option A. Price takers
Option B. Price setters
Option C. Price discriminators
Option D. None of the above

Question: 17. The concept of product differentiation was firstly introduced by:

Option A. Smith
Option B. Kaldor
Option C. Sraffa
Option D. Marshal

Question: 18. Labor theory was firstly rejected by:

Option A. Adam Smith
Option B. Karl Marx
Option C. Ricardo
Option D. Pigou

Question: 19. In the real world, some competitive firms owns specialized resources that earn a return called:

Option A. Economic profit
Option B. Rent
Option C. Accounting profit
Option D. Normal profit

Question: 20. In the case where two commodities are good substitutes then cross elasticity will be:

Option A. Positive
Option B. Unitary
Option C. Negative

Option D. Infinite

Question: 21. Increasing returns is not caused by:

Option A. Specialization of labor
Option B. Technological advancement
Option C. Marketing economics
Option D. Varying factor proportions

Question: 22. Which of the following conditions is met in the long-run equilibrium in monopolistic competition, where the firm is earning only normal profits?

Option A. MC =AC and P
Option B. MC = AC and P=MR
Option C. P =MC and P
Option D. MC=MR and P =AR= ATC

Question: 23. Government planners play a central role in allocating resources:

Option A. Only under socialism(communism)
Option B. Only under capitalism
Option C. Under both (a) and (b)
Option D. None of the above

Question: 24. The isoquant approach is based upon:

Option A. One output
Option B. One input
Option C. Two outputs
Option D. Two inputs

Question: 25. Diminishing returns occur when a firm:

Option A. Starts incurring losses
Option B. Uses more and more of one input while holding all other inputs constant
Option C. Does not utilize its inputs efficiently
Option D. Cuts down on the quantity of all inputs it uses

Question: 26. Change in quantity demanded refers to:

Option A. Upward shift of the demand curve
Option B. Downward shift of the demand curve
Option C. Movement on the same demand curve
Option D. None of the above

Question: 27. With the change in the factor prices, the slope of the expansion path will:

Option A. Not change
Option B. Also change
Option C. Increase

Option D. Decrease

Question: 28. The average cost curve is a geometrical illustration of:

Option A. Hydraulic function
Option B. Cubic function
Option C. Pentagonic function
Option D. Quadratic function

Question: 29. The total utility is gained by consuming:

Option A. The last unit of a good
Option B. All the units of a good
Option C. The first unit of a good
Option D. The average unit of a good

Question: 30. A demand curve is not related to:

Option A. The price of the commodity
Option B. The time period
Option C. The price of substitutes
Option D. Any of the above

Answer Sheet

1	B	
2	B	
3	B	
4	B	
5	A	
6	D	
7	B	Time Preference Theory of Interest? This theory was initially presented by an Austrian economist Carl Menger in 1871 and by later developed by Bohn Bawerk. Time preference theory of interest is the analysis of how individuals or firms will sacrifice present utility in the hope of greater future returns. This theory examines the nature of consumerism, and the factors that influence consumers to delay current consumption or expenditures in anticipation of greater future returns. The rate of time preference itself can be quantified as the amount of money required to compensate the consumer for foregoing current consumption. This theory also attempts to tie interest rates into the equation by comparing the perceived value of expected future returns with the rate of interest paid on current savings.
8	C	
9	D	

10	B	
11	D	
12	D	
13	B	Product Group?In place of Marshallian concept of industry, Chamberlin introduced the concept of Group under monopolistic competition. An industry means a number of firms producing identical product. A group (product group) means a number of firms producing differentiated products which are closely related.}
14	A	
15	B	
16	A	
17	C	
18	B	
19	B	
20	A	
21	D	
22	D	
23	A	
24	D	
25	B	
26	C	Change in quantity demanded of a commodity is always due to change in price of that commodity)
27	B	
28	D	The quadratic function shows that if by increase the value of independent variable the value of dependent variable is decreasing then after a certain level it starts to increase and vice versa. $C = a - bQ^2$ is a quadratic function.
29	B	
30	C	